British Columbia Innovation Council

2015/16
ANNUAL SERVICE PLAN REPORT

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Board Chair's Accountability Statement

The British Columbia Innovation Council (BCIC) is the province's lead agency promoting the development and application of advanced or innovative technologies to meet the needs of industry in BC. Our mission is to build BC's economy by accelerating the growth of BC ventures through the support of entrepreneurs and technology startup companies.

The *British Columbia Innovation Council 2015/16 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2015/16 - 2017/18 Service Plan.* I am accountable for those results as reported.

Derek Lew, Board Chair
BC Innovation Council

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Chair/CEO Report Letter

BCIC continued to serve BC's tech sector in meaningful ways in 2015/16, guided by Minister Virk's Mandate Letter. BCIC adhered to Board Resourcing and Development Office policies and best practices, and implemented outcome-based metrics, aligned with the BC Jobs Plan and including measures of job creation and investment. The BCIC team builds and maintains an extensive range of partnerships and has diversified programming to strengthen entrepreneurship development and support regional expansion.

BCIC's activities are guided by the #BCTECH Strategy. In January 2016, BCIC co-hosted the #BCTECH Summit, where the #BCTECH Strategy was introduced. The Summit supported the strategy's three pillars – Talent, Capital and Markets – through activities such as the coding camp and Career Showcase, Venture Capital Presentations and facilitated Business-to-Business Meetings.

In 2015/16, BCIC continued to provide detailed quarterly reports on performance and finances. BCIC's CEO meets with Government quarterly to implement initiatives that directly support and accelerate commercialization in the province and ensure BCIC programs align with the #BCTECH Strategy.

In compliance with the Taxpayer Accountability Principles, BCIC and the Ministry of Technology, Innovation and Citizens' Services created a Strategic Engagement Plan (see Appendix C) that outlines actions to enable BCIC and the ministry to work more effectively together and to ensure accountability for outcomes and measurements identified by the minister responsible. The two parties are meeting the actions outlined in this plan, which include regular meetings – and specific areas of discussion at those meetings – between representatives from the ministry and BCIC at several levels. outlining engagement activities.

In 2015/16, BCIC also met the requirement to undertake more comprehensive and appropriate communication, orientation and training regarding the accountability framework, the Taypayer Accountability Principles, and roles and expectations for the BCIC Board and executive team. BCIC will continue to conduct regular briefing and training on the Taxpayer Accountability Principles and offer an orientation program for Board members and staff.

Derek Lew, Board Chair
BC Innovation Council

Greg Caws, CEO
BC Innovation Council

Purpose of the Organization

The British Columbia Innovation Council (BCIC) is a Crown agency under the British Columbia Innovation Council Act.

BCIC encourages the development and application of advanced or innovative technologies to meet the needs of industry in BC. They accelerate technology commercialization by supporting startups, developing entrepreneurs and creating programs for growth. BCIC works with partners across industry, academia, government and associations that support entrepreneurship, the development of talent, the provisioning of capital and access to markets. With its partners, BCIC delivers programs that promote company growth, resulting in jobs, increased revenue and economic development in BC.

Helping entrepreneurs and companies expand innovative products and services into the local and global marketplace enhances BC's competitiveness and provides high quality jobs for British Columbians. BCIC supports programs that accelerate adoption of technology by all BC companies.

Strategic Direction and Context

The 2015/16 Mandate Letter required BCIC and Government work in partnership to continue to advance commercialization in BC. The Government directed BCIC to undertake the following specific actions:

- Continue to work in partnership with Government on the full implementation of the approved recommendations of the BCIC Mandate Review and report to Government quarterly on BCIC's results-to-date and planned actions to:
    - Adhere to the Board Resourcing and Development Office policies and best practices.
    - Refine and implement outcome-based metrics including measures of job creation and investment.
    - Build and maintain partnerships and diversify programming in order to strengthen entrepreneurship development in the BC Jobs Plan's priority sectors and to support regional expansion.
- Support the Government in the implementation of its Technology Strategy as required.
- Meet with Government quarterly to develop and implement initiatives that directly support and accelerate commercialization in BC and ensure BCIC programs are aligned with the BC Technology Strategy.

BCIC was also directed to adhere to the Taxpayer Accountability Principles and deliver against its action items.

Technology and innovation are critical drivers of success for the BC economy. In 2015/16, BCIC continued to support programs for early stage companies and recognizing the potential for growth in more established companies, delivered additional programs that met their needs.

BCIC worked closely with the BC Government to co-host the inaugural #BCTECH Summit in January 2016, where the #BCTECH Strategy was unveiled. BCIC is supporting the three pillars of this strategy – Talent, Capital and Markets – in its programs, initiatives and communications.

British Columbia continued to experience an influx of large technology companies in 2015/16, with companies such as Microsoft and Sony Imageworks expanding their presence in the province. This is

contributing to a growing demand for tech talent across the province. BCIC is responding to this need with programs that are helping to develop student talent and entrepreneurial skills development.

BCIC effectively delivered expanded programs in 2015/16, supported by a stable operating environment and strong leadership in the technology community. Potential risks identified in the 2015/16 Service Plan were managed under mitigation strategies.

Report on Performance

In 2015/16, BCIC achieved its major objectives. This included continuing to work in partnership with government on the full implementation of actions items in the Mandate Letter and the Taxpayer Accountability Principles. BCIC has undertaken comprehensive and appropriate communication, orientation and training on these principles, the accountability framework and roles and expectations for board members and the executive team. BCIC's Board Chair and Minister meet annually, and the CEO and Deputy Minister meet biannually to discuss performance against the Taxpayer Accountability Principles, outcomes and strategic decision making.

The Chair/CEO Report letter in this report provides an accounting of BCIC's performance concerning expectations outlined in the Mandate Letter, delivering on one of the Taxpayer Accountability Principles Action Items.

BCIC has developed and implemented an evaluation plan to measure specific efficiency and performance measures related to the Taxpayer Accountability Principles. The five targets relate to BCIC funding agreements being program-based, satisfaction across BCIC-funded programs, operating expenses as a portion of overall budget, an annual staff orientation for BCIC's Code of Ethics and consistent communications to the BCIC network. Targets were met in all five areas of the evaluation plan in 2015/16.

Goals, Strategies, Measures and Targets

Three goals guided BCIC's actions in 2015/16:

1. Commercializing innovative technology.
2. Developing and enhancing entrepreneurial skills.
3. Focusing resources on entrepreneurs who will build their companies in BC.

Together these goals provide a strong foundation for meeting our legislated mandate and supporting government's priorities. These goals support job creation and increased investment in the technology sector in BC. Technology is identified as one of eight key sectors in the provincial economy by the BC Jobs Plan. Each of BCIC's goals is supported by strategies, performance measures and targets.

Goal 1: Commercializing Innovative Technology

Commercialization is an entrepreneurial activity that takes a technology or intellectual property and creates a business around it. BCIC's goal of facilitating the commercialization of innovative

technology is supported by its network of acceleration programs (the BC Acceleration Network) as well as programs that develop entrepreneurial talent at the post-secondary level and sponsorship of events that increase the number of entrepreneurs and new business opportunities across BC.

Strategies

- Build a network of Venture Acceleration Programs.
- Facilitate post-secondary programs to support entrepreneurial talent development.
- Sponsor and promote appropriate conferences, competitions and events.
- Facilitate the introduction of BC-based companies with potential partners and actively identify opportunities that expand the scope of engagement and commercial opportunities.

Performance Measure 1.1: Patent-protected innovations and trade secrets

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
The percentage of ventures in BCIC-funded programs with patent protection for their innovations or a structured approach to maintaining secrecy.	42%	45%	30%	49%*	40%	40%

Data Source: Progress reports from program partners.
*2015/16 data based on responses from 451 participating companies.

Discussion

BCIC supports programs and initiatives that help innovative technologies reach the market. A patent demonstrates the innovative nature of a startup's technology. Trade secrets are also an effective way of shielding intellectual property. A product based on a novel technology tends to have a stronger chance of competing against established players because it can offer differentiated value to customers. Companies with patented intellectual property are better able to defend their innovation when they become successful in the market. By encouraging the use of patents and trade secrets, BCIC's programs will improve the growth rate and survivability of small- and medium-sized business located in BC.

The target represents a goal to achieve a high level of patent protection. 2013/14 was the first year this performance measure was tracked. After the original target of 30% was exceeded, the target was increased. BCIC has now determined that a target of 40% would be an indicator of success for the program because not all entrepreneurs need to secure such protection. Some ventures may still be at the early idea stage and not yet ready to file a patent. Other ventures in the information and communication technology field (including digital media and software as a service) often do not file patent protection or register trade secrets because copyright already exists for their source code.

Goal 2: Developing and Enhancing Entrepreneurial Skills

BCIC works with its program partners to help British Columbians become successful entrepreneurs.

Strategies

- Provide relevant training to support early-stage entrepreneurs to commercialize concepts.
- Partner with educational institutions and industry organizations to provide relevant knowledge and training for emerging entrepreneurs.

Performance Measure 2.1: Health Score of Ventures in BC Acceleration Network

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
The overall level to which BC Acceleration Network clients have a solid business foundation for the success of their companies.[1]	56	56	65	61*	87	89

Data Source: Progress reports from program partners.

[1] This measure presents an overall score out of a possible 100 points. The score is determined by a set of indicators identified by BCIC as important elements for a venture to progress.

*2015/16 data based on responses from 310 participants.

Discussion

BCIC activities support job creation in BC. It is essential that startup companies in BCIC-funded programs progress from early-stage ventures to larger mature companies with job opportunities. The BCIC Health Score reflects the level to which startup companies in BCIC-funded programs are on track to progress into companies that will experience job growth. The previous Health Score model has been updated to reduce subjectivity of the previous rating system and better reflect startup progress relative to jobs, revenue, investments and skill development. Targets for 2016/17 and beyond are higher than initially designated in the 2015/16 – 2017/18 Service Plan, because the new Health Score measures different criteria.

Performance Measure 2.2: Participant Evaluation of the Effectiveness of BCIC's Programs and Services

Performance Measure	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
The percentage of participants in BCIC-funded programs who confirm BCIC's programs have a high value impact in advancing their technology venture.[1]	82%	88%	92%	90%	94%*	90%	90%

Data Source: Progress reports from program partners.

[1] This measure is based on sample surveys where high impact value is defined as a value of 7 or more on a 10-point evaluation scale.

*2015/16 data based on responses from 819 participants.

Discussion

Confirmation from entrepreneurs that BCIC-funded programs enable their ventures to progress adds perspective to how BCIC measures progress. Our goal is to support programs that provide high value to technology entrepreneurs, equipping them with the knowledge and tools to advance their technologies. Evaluation results enable us to assess how well we are delivering on our mission. Reports from the participants in BCIC-support programs and services help to shape, refine and improve our offerings and position BCIC as an integral component to the growth and success of our client companies. Performance targets are based on similar past BCIC surveys. BCIC aims to deliver high value to all ventures, with a target of 90% of ventures rating the service they receive as high value, and beyond this, to continue to maintain this high level of effectiveness. The 2015/16 score exceeded the target slightly; this is likely because the evaluation included the two new BCIC Tech Works programs, which received high ratings from participants.

Goal 3: Focusing Resources on Entrepreneurs who will Build their Companies in BC

BCIC invests in opportunities for startup companies who will build their companies in our province, ensuring ongoing job creation and economic development.

Strategies

- Work with program partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in BC.

Performance Measure 3: Entrepreneurs who can build a successful venture based in BC

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
The percentage of participants in BCIC-funded programs who are assessed as being able to be successful in their venture without needing to leave BC to do so.[1]	99%	87%	90%	93%*	90%	90%

Data Source: Progress reports from program partners.

[1] This measure is based on the experience and knowledge of Executives-in-Residence and mentors who evaluate the opportunities they are supporting.

*2015/16 data based on responses from 422 participants.

Discussion

Entrepreneurs with early stage innovative concepts and business ventures are highly mobile. For many, it is tempting to move to new locations outside of BC to be near their key customers, suppliers or financiers. Of the three prime relationships, the most compelling is that with customers, who are the ultimate source of value in an entrepreneurial venture. BCIC assesses the likelihood that a venture will stay in BC to avoid committing taxpayer resources to ventures that are destined to create jobs elsewhere.

As a result of effective assessment during in-take sessions, the vast majority (93% in 2015/16) of ventures supported by BCIC-funded programs are expected to be successful without needing to leave BC. Some BCIC-funded programs are aimed to cultivate entrepreneurs among the student population.

While these programs are highly effective in equipping the next cohort of potential entrepreneurs with the right skills, it is conceivable that a small percentage of student-focused ventures accepted into these programs will need to exit BC to be successful. Thus, a realistic target of 90% has been established.

Financial Report

Discussion of Results

BCIC's core operations and activities are funded by the Province through the Ministry of Technology, Innovation and Citizens' Services. With these funds, BCIC will continue to leverage partnerships across the province to develop and deliver programs that meet its mandate. To deliver the best returns on investments, BCIC's partners are encouraged to leverage government funding to gain additional sources of revenue.

Assessment of Changes in Results and Reasons for Significant Variances and Trends

In 2015/16, BCIC received $8.09 million from the province, $6.09 million as core funding per the original budget and $2 million to go towards specific commercialization initiatives.

Annual total funding is budgeted to be $8.09 million for 2016/17 and is expected to return to $6.09 million for 2017/18.

Overall, BCIC committed $9.89 million of provincial funding and university endowment funding to support programs and initiatives that drive commercialization, research and the development of entrepreneurial skills. In 2015/16, BCIC funded $3.73 million from deferred program revenues to the Innovator Skills Initiative and BC Tech Co-op Grants Program for small companies. In the prior year, BCIC funded $5.15 million from deferred program revenues to build scholarship funds, develop research chairs and support natural resource commercialization initiatives.

In 2015/16, BCIC continued to enhance technology integration across all industry sectors. Salaries and benefits were also higher in 2015/16 to cover the additional expense of two maternity leaves and new hires.

Major Risks and Opportunities that Affected Financial Performance

BCIC's operations are primarily funded by annual funding from the Province and any changes to the level of annual provincial funding will have significant impact on BCIC's operations. Strategies to mitigate this risk include ongoing communications with BCIC's existing and potential funding sources, in order to build awareness of the level of support required. In addition, BCIC explores the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources.

A summary of the BC Innovation Council's financial results is presented below.

Financial Resource Summary Table

SUMMARY OF FINANCIAL RESULTS AND BUDGET PROJECTIONS									
(in thousands of dollars)									
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET VARIANCE	YEAR VARIANCE
Revenues									
Province of British Columbia	8,500	9,650	6,150	6,090	8,090	8,090	6,090	2,000	0
Internal Program Funding (1)	29	-	171	2,372	5,154	3,727	277	3,450	(1,427)
NRAS Endowment	1,919	568	3	10	-	45	1,000	(955)	45
Interest and Other	329	124	291	154	212	393	125	268	181
Total Revenues	10,777	10,342	6,615	8,626	13,456	12,255	7,492	4,763	(1,201)
Expenses									
Programs and Initiatives	6,349	7,430	4,956	6,840	11,619	9,894	4,232	5,662	(1,725)
NRAS Endowment	1,919	568	3	10	-	45	1,000	(955)	45
Salaries and Benefits	1,590	1,392	1,027	1,125	1,347	1,644	1,484	160	297
Rent	274	418	223	229	173	307	260	47	134
Amortization	62	48	41	34	38	67	36	31	29
Other operating costs (2)	583	485	364	387	278	271	480	(209)	(7)
Total Expenses	10,777	10,341	6,614	8,625	13,455	12,228	7,492	4,736	(1,227)
Annual Surplus	0	1	1	1	1	27	0	27	26
Funds Committed to Future Programs (3)	11,561	11,653	22,180	20,264	15,712	13,167	15,712	(2,545)	(2,545)
Capital Expenditures (4)	14	13	36	27	147	89	50	39	(58)
Total Debt	0	0	0	0	0	0	0	0	0

(1) Internal Program Funding is drawn from unrestricted assets and deferred program revenues. The amount for 2015/2016 is related to the asset gifted with restrictions from the Leading Edge Endowment Fund, the funding from the Ministry of Jobs and the Agriculture Science and Innovation funds.
(2) Other operating costs include professional services, travel and office expenses.
(3) The balance of Funds Committed to Future Programs includes unrestricted assets and deferred revenue balances. Year-to-year changes include Annual Surplus (Deficit), changes to tangible capital assets and deferred revenues as detailed in note 4 and note 6 of the audited financial statements.
(4) For 2015/2016, capital expenditures include the costs of computers and office equipment.
(5) The above financial information, including forecast information, was prepared based on current Public Sector Accounting Standards.

Natural and Applied Science Endowment Fund

NATURAL AND APPLIED SCIENCES ENDOWMENT FUND									
(in thousands of dollars)									
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16			
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	BUDGET VARIANCE	YEAR VARIANCE
NRAS Endowment Fund	50,000	50,000	50,000	50,000	50,000	50,000	50,000	0	0
Interest Accumulated, Begin of the year	1,209	76	502	1,461	2,426	3,360	2,426	934	934
Annual investment income	786	994	962	975	957	1,050	1,000	50	93
Program expenditures	(1,800)	(560)	-	-	-	-	(1,000)	1,000	-
Administration and professional fees	(119)	(8)	(3)	(10)	(23)	(45)	0	(45)	(22)
Interest Accumulated, End of the year	76	502	1,461	2,426	3,360	4,365	2,426	1,939	1,005

In the 2005/06 fiscal year, BCIC was charged with stewarding $50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. As an endowment, it is expected that the capital will be preserved and only the interest earnings will be spent on program activities. In 2015/16, BCIC retained all interest earnings. A program has been identified and these earnings will be spent commencing 2016/17.

Financial Statements of

BRITISH COLUMBIA INNOVATION COUNCIL

Year ended March 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Minister of Technology, Innovation and Citizens' Services of British Columbia

We have audited the accompanying financial statements of British Columbia Innovation Council, which comprise the statement of financial position as at March 31, 2016, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the British Columbia Innovation Council as at March 31, 2016 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

May 10, 2016
Burnaby, Canada

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash and cash equivalents:		
Unrestricted	$ 357,194	$ 86,324
Restricted - deferred programs (note 6)	10,512	6,665
Restricted - NRAS endowment (note 7)	28	-
Investments:		
Unrestricted (note 3)	5,845,995	6,157,654
Restricted - deferred programs (notes 3 and 6)	6,915,620	9,468,859
Restricted - NRAS endowment (notes 3 and 7)	4,365,236	3,359,623
Accounts receivable	81,762	46,128
	17,576,347	19,125,253
Liabilities		
Accounts payable and accrued liabilities	115,340	104,716
Deferred program revenues (note 6)	6,926,132	9,475,524
Deferred revenue from NRAS endowment (note 7)	4,365,264	3,359,623
	11,406,736	12,939,863
Net Financial Assets	6,169,611	6,185,390
Non-Financial Assets		
Restricted - NRAS endowment:		
Investments (notes 3 and 7)	50,000,000	50,000,000
	50,000,000	50,000,000
Tangible capital assets (note 4)	239,155	217,206
Prepaid expenses	70,789	50,197
	50,309,944	50,267,403
Accumulated surplus (note 5)	$ 56,479,555	$ 56,452,793

Commitments (note 8)
Contractual obligations (note 9)
Employee future benefits (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

Statement of Operations and Accumulated Surplus

Year ended March 31, 2016, with comparative information for 2015

	Budget 2016 (note 2(e))	2016	2015
Revenue:			
Grants from the Province of British Columbia	$ 6,090,000	$ 8,090,000	$ 8,090,000
Program revenue (note 6)	277,000	3,727,481	5,153,806
Other	-	259,321	53,049
Interest	125,000	133,880	159,611
NRAS endowment	1,000,000	44,621	-
	7,492,000	12,255,303	13,456,466
Expenses (note 12):			
Program expenses and disbursements:			
Academic	350,000	2,517,160	2,322,600
Commercialization	3,741,313	7,289,684	9,181,695
NRAS endowment	1,000,000	44,621	-
Premier's Technology Council	425,000	263,228	315,402
Technology Awareness	200,000	478,977	251,202
General administration (note 11)	1,775,687	1,634,871	1,384,331
	7,492,000	12,228,541	13,455,230
Annual surplus	-	26,762	1,236
Accumulated surplus, beginning of year	56,452,793	56,452,793	56,451,557
Accumulated surplus, end of year	$ 56,452,793	$ 56,479,555	$ 56,452,793

See accompanying notes to financial statements.

Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

	Budget 2016 (note 2(e))	2016	2015
Annual surplus	$ -	$ 26,762	$ 1,236
Acquisition of tangible capital assets	(100,000)	(89,401)	(146,990)
Amortization of tangible capital assets	36,500	67,452	38,496
	(63,500)	4,813	(107,258)
Acquisition of prepaid expenses	-	(111,782)	(100,588)
Use of prepaid expenses	-	91,190	82,591
	-	(20,592)	(17,997)
Change in net financial assets	(63,500)	(15,779)	(125,255)
Net financial assets, beginning of year	6,185,390	6,185,390	6,310,645
Net financial assets, end of year	$ 6,121,890	$ 6,169,611	$ 6,185,390

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating:		
Annual surplus	$ 26,762	$ 1,236
Items not involving cash:		
Amortization of tangible capital assets	67,452	38,496
Changes in non-cash operating working capital:		
Accounts receivable	(35,634)	(30,336)
Prepaid expenses	(20,592)	(17,997)
Accounts payable and accrued liabilities	10,624	(175,421)
Deferred program revenues	(2,549,392)	(4,446,019)
	(2,500,780)	(4,630,041)
Capital:		
Purchase of tangible capital assets	(89,401)	(146,990)
	(89,401)	(146,990)
Investments:		
Purchase of investments	(15,462,513)	(151,458,180)
Proceeds on maturity of investments	17,321,798	154,965,145
Increase in deferred revenue from NRAS endowment	1,005,641	933,497
	2,864,926	4,440,462
Increase (decrease) in cash and cash equivalents	274,745	(336,569)
Cash and cash equivalents, beginning of year	92,989	429,558
Cash and cash equivalents, end of year	$ 367,734	$ 92,989
Cash and cash equivalents are comprised of:		
Financial assets:		
Unrestricted	$ 357,194	$ 86,324
Restricted - deferred programs	10,512	6,665
Restricted - NRAS endowment	28	-
Cash and cash equivalents, end of year	$ 367,734	$ 92,989

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2016, with comparative information for 2015

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1. Authority and purpose:

British Columbia Innovation Council (the "Council"), was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

The Council is governed by a Board of Directors, appointed by the provincial government of British Columbia (the "Province"). The Council is exempt from the payment of income taxes under Section 149 of the Income Tax Act.

Under Section 13 of the Act, the directors, officers, and employees of the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to advance commercialization in British Columbia through focused support to startup companies and facilitation of partnerships between industry and academia.

2. Significant accounting policies:

(a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(b) Cash and cash equivalents:

Cash and cash equivalents include investments with a term to maturity of 90 days or less at the date of acquisition.

(c) Investments:

Investments, which include investments with original terms to maturity of greater than 90 days, are recorded at amortized cost plus accrued interest, which approximates market value. Interest income is recognized in the period earned.

(d) Revenue recognition:

Unrestricted contributions and government grants are recorded as revenue when received or receivable, if the amounts can be estimated and collection is reasonably assured. Other unrestricted revenue, including sales of services and products, are reported as revenue at the time the services are provided or the goods delivered.

Investment income on unrestricted assets is recognized as revenue when it is earned.

Endowment contributions are recognized as revenue when received. Investment income earned from restricted cash and investments related to the endowment funds are deferred and recognized as revenue when they are spent or disbursed in accordance with the restrictions of the endowment.

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

Contributions externally restricted for non-capital specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the stipulations are met.

Investment income that is subject to external restrictions is deferred and recognized as revenue in the year in which the related expense is incurred.

(e) Budget figures:

The budget figures presented in these financial statements are based on the 2016 operating budget approved by the Board of Directors on January 19, 2015.

(f) Government transfers:

Transfers from governments with restrictions are deferred and recognized as revenue when they are spent in accordance with the stipulations in the related agreements. Transfers from governments without restrictions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

(g) Financial instruments:

Financial instruments are classified into two categories: fair value or amortized cost:

Investments with fixed maturity dates are recorded at amortized costs. ncome on these investments is recognized in the Statement of Operations and Accumulated Surplus over the period of time the investments are held. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are included in the cost of the related investments.

The carrying amounts of other financial instruments such as cash and cash equivalents, and accounts receivables also approximate their fair value due to their short-term maturities.

The Council does not have any financial instruments required or elected to be subsequently recorded at fair value.

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2016, with comparative information for 2015

2. Significant accounting policies (continued):

(i) Tangible capital assets:

Tangible capital assets are initially recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The historical cost, less residual value, of the tangible capital assets is amortized commencing at the time the asset is available for use based on the methods and rates as shown in the schedule below:

Asset	Amortization
Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	33% declining balance
Leasehold improvements	Straight line over the lesser of the term of the lease and the useful life of the asset

When events or circumstances indicate that a tangible capital asset no longer has any long-term service potential, the net carrying amount is written down to the residual value of the asset. No write-downs were determined to be necessary during the current year.

(j) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period where the benefits are received.

(k) Employee future benefits:

The Council accrues employee vacation entitlements. These accruals are included in accounts payable and accrued liabilities. The Council is a member of the Public Service multi-employer pension plan (note 10). Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include the determination of useful lives of tangible capital assets for amortization and the accrual of liabilities. When actual results differ from the estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2016, with comparative information for 2015

3. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from May 2016 to Dec 2018, bearing interest at rates ranging from 0.95% to 2.22%.

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation ("ASI") program participant private corporations received in exchange for all or a portion of loan or royalty interests.

As at March 31, 2016, the Council has assessed these shares of privately-held corporations to have nominal market value. As such, these investments are recorded at a nominal value of $1 each for each company shareholding. The estimated market value of the long-term investments as at March 31, 2016 is $20 (2015 - $20).

4. Tangible capital assets:

Cost	Balance at March 31, 2015	Additions	Disposal	Balance at March 31, 2016
Furniture, fixtures and equipment	$ 179,384	$ 28,075	$ -	$ 207,459
Computer hardware and software	469,747	61,326	-	531,073
Leasehold improvements	120,569	-	-	120,569
	$ 769,700	$ 89,401	$ -	$ 859,101

Accumulated Amortization	Balance at March 31, 2015	Amortization	Accumulated amortization of disposals	Balance at March 31, 2016
Furniture, fixtures and equipment	$ 131,435	$ 12,545	$ -	$ 143,980
Computer hardware and software	393,289	35,707	-	428,996
Leasehold improvements	27,770	19,200	-	46,970
	$ 552,494	$ 67,452	$ -	$ 619,946

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2016, with comparative information for 2015

4. Tangible capital assets (continued):

	Net book value March 31, 2015	Net book value March 31, 2016
Furniture, fixtures and equipment	$ 47,949	$ 63,479
Computer hardware and software	76,458	102,077
Leasehold improvements	92,799	73,599
	$ 217,206	$ 239,155

There were no write-downs or reversals of write-downs previously recorded on any tangible capital assets.

5. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2016	2015
Invested in tangible capital assets	$ 239,155	$ 217,206
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,240,400	6,235,587
	$ 56,479,555	$ 56,452,793

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2016, with comparative information for 2015

6. Deferred program revenues:

	Balance March 31, 2015	Funds received	Funds expended	Balance March 31, 2016
Agriculture Science and Innovation	$ 2,426,615	$ -	$ 327,000	$ 2,099,615
Aquaculture & Environment Research	376,024	-	-	376,024
Industrial Innovation Scholarship	102,750	-	-	102,750
LEEF Student Program	6,314,699	57,728	3,145,045	3,227,382
International Science and Technology Partnership	255,436	-	255,436	-
	9,475,524	57,728	3,727,481	5,805,771
BC Tech Summit (a)	-	2,222,611	1,102,250	1,120,361
Total	$ 9,475,524	$ 2,280,339	$ 4,829,731	$ 6,926,132

(a) The revenue and expenses for the BC Tech Summit are recorded on a net basis.

(b) Funds restricted for future program expenses have been separated and classified as restricted cash and cash equivalents - deferred programs and restricted investments - deferred programs.

7. Natural Resources and Applied Science Research Endowment (NRAS):

In fiscal year 2005/2006, the Council was charged with stewarding an endowment contribution of $50,000,000 from the Ministry of Economic Development. Investment earnings are restricted for the support of training, research and development in natural resources and applied sciences. Restricted cash and investments of $54,365,264 are comprised of the permanently restricted endowment balance of $50,000,000 and unspent interest earnings of $4,365,264.

Deferred revenue from the NRAS endowment balance comprises of the following:

	2016	2015
Accumulated interest, beginning of year	$ 3,359,623	$ 2,426,126
Interest earned net of fees	1,050,262	933,497
Administration and professional fees	(44,621)	-
Accumulated interest, end of year	$ 4,365,264	$ 3,359,623

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2016, with comparative information for 2015

8. Commitments:

The Council has entered into operating leases for their premises and certain office equipment. Total estimated lease payments up to the end of the lease terms are as follows:

2017	$ 303,453
2018	310,601
2019	316,259
2020	263,946

9. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2016 to provide future funding of research projects to be completed subsequent to the year end. These contractual obligations are funded in installments and payments are due based on conditions included in the contract being satisfied. As such, no liability has been accrued in the financial statements as the Council is not liable for payments until these conditions have been met.

The contractual obligations of the Council as at March 31, 2016 are $6,667,800 (2015 - $6,629,160).

10. Employee future benefits:

The Council and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the *Public Sector Pension Plans Act* (the "Act"). The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. As the Plan is a multi-employer, defined benefit plan, the Council accounts for its payments on the basis of a defined contribution plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the Plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2011) indicated an unfunded liability of $275 million. The plan covers approximately 53,500 active employees. The next required valuation will be as of March 31, 2016 with results available for the Council's 2017 fiscal year.

During the year, the Council paid and expensed $111,356 (2015 - $102,122) for contributions to the Plan.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2016, with comparative information for 2015

11. Related parties:

The Council is related through common ownership to all Province of British Columbia ministries, agencies, crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Council received $8,090,000 (2014 - $8,090,000) in provincial funding from the Ministry of Technology, Innovation and Citizens' Services.

12. Expenses by object:

The following is a summary of expenses by object:

	2016	2015
Expenses:		
Program expenses and disbursements	$ 9,893,905	$ 11,618,798
Salaries and benefits	1,644,453	1,346,993
Rent	306,702	172,574
Contracted services	61,586	97,169
Office expenses	133,619	81,943
Other costs	120,824	99,257
	12,161,089	13,416,734
Amortization	67,452	38,496
Total expense	$ 12,228,541	$ 13,455,230

Appendix A: Additional Information

Organizational Overview

Enabling Legislation

The BC Innovation Council is a Provincial Crown Agency Operating under the *British Columbia Innovation Council Act* (Amended in Bill 15 – 2006).

Mandate

The provincial government has provided the following mandate direction to BCIC under the *British Columbia Innovation Council Act*:

- To advance commercialization of technology in British Columbia through focused support to startup companies and facilitation of partnerships between industry and academia;
- To work with willing partners in industry, academia, government and associations that support entrepreneurship and the development of entrepreneurial talent.

Vision

A strong and rapidly growing innovation economy, creating rewarding careers for British Columbians.

Mission

To strengthen British Columbia's economy by accelerating the growth of BC ventures through the support of entrepreneurs and technology companies.

Corporate Governance

Role and Membership of the Board

The Lieutenant Governor, through Order-in-Council, appoints the members of BCIC's board and delegates the role of the chair. The board chair reports to the British Columbia Legislative Assembly through the Minister of Technology, Innovation and Citizens' Services. The board of directors has five members:

- Derek Lew, Chair
- Robin Ciceri
- Lorraine Larkin
- Cheryl Slusarchuk

Senior Management

- Greg Caws, President & CEO
- Jennie Choboter, Chief Financial Officer
- Carl Anderson, Entrepreneur-in-Residence
- Tomica Divic, Managing Director, BCIC Operations

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Appendix B: Crown Corporations Mandate and Actions Summary

In the 2015/16 Mandate Letter from the minister responsible, the BC Innovation Council received direction on strategic priorities for the 2015/16 fiscal year. These priorities and the Crown corporation's resulting actions are summarized below:

Mandate Letter Direction	BCIC's Action
Adhere to the Board Resourcing and Development Office policies and best practices.	BCIC continued to ensure consistency with the Board Resourcing and Development Office policies and best practices.
Refine and implement outcome-based metrics including measures of job creation and investment.	Measures used by BCIC in 2015/16 continue to evaluate aspects of participating companies' ability to progress toward job creation and investment. In addition, in 2015/16, BCIC contracted a research firm to conduct a survey of participants in six BCIC-funded programs, resulting in an Impact Assessment Report that will guide our work moving forward.
Build and maintain partnerships and diversify programming in order to strengthen entrepreneurship development in the BC Jobs Plan's priority sectors and to support regional expansion.	• The BC Acceleration Network gained two new partners in 2015/16: Bioenterprise BC and e@UBC. There are now 14 delivery partners. • BCIC launched two new co-op programs, the Innovator Skills Initiative and the BC Tech Co-op Grants Program. • Another new program in 2015/16, BCIC Ignite, provides funding to accelerate commercialization of new technologies and innovations in the natural resources and applied sciences in BC.
Align with the BC Technology Strategy which recognizes that technology enables growth in all sectors.	BCIC activities are aligned with the actions outlined in the BC Technology Strategy. Specifically, BCIC: • Provided commercialization and entrepreneurship support through BCIC's Venture Acceleration Program. • Facilitated the expansion and ongoing development of regional innovation networks, including the BC Acceleration Network. • Focused on offering opportunities for students to gain hands-on experience in a startup environment. • Increased focus on driving commercialization of technologies that will support priority industries in which BC has a competitive advantage.

Appendix C: Strategic Engagement Plan

BRITISH COLUMBIA

STRATEGIC ENGAGEMENT PLAN

Between

The Ministry of Technology, Innovation and Citizens' Services (MTICS)

And

The British Columbia Innovation Council (BCIC)

PURPOSE:

This Strategic Engagement Plan (the Plan) pertains to the new accountability assigned to deputy ministers with the release of *Taxpayer Accountability Principles: Strengthening Public Sector Governance and Accountability* (TAP) by the Government of British Columbia. The purpose of this accountability is for deputy ministers and public sector entities to work more effectively together and to hold those entities accountable for the outcomes and measurements identified by the minister responsible, in consultation with their respective board chairs.

This plan outlines engagement activities mutually agreed upon by MTICS and BCIC towards realizing the purpose outlined above.

ACTIONS:

Minister Responsible – BCIC Chair:

- Meet annually to establish mandate accountabilities, outcomes and performance measures.
- Meet quarterly to discuss government's strategic priorities, BCIC's performance against TAP, operating results and ways to work together to protect the public interest.

Deputy Minister Responsible – BCIC President & CEO:

- Meet quarterly to:
  - Review progress towards achieving the specific priority actions identified in BCIC's annual mandate letter; and
  - Evaluate results of BCIC's *TAP Evaluation Plan* - to be fully implemented in 2015/16 - and address annual feedback from government on that plan.
- Meet regularly to:

- Discuss changes in existing BCIC programs and the development of new initiatives and services;
- Review interactions between BCIC and other provincial ministries and their agencies and discuss future opportunities for partnership;
- Evaluate the impact to government from changes in BCIC operations and strategies; and
- Evaluate the impact to BCIC related to changes in government policy and strategic priorities and consult on possible responses.

MTICS Executive Financial Officer – BCIC Chief Financial Officer:

- Meet quarterly to:
  - Review the quarterly financial forecast provided by BCIC to the Ministry of Finance.
  - Discuss potential risks and issues relating to BCIC's forecast that may impact government's fiscal plan and develop strategies to mitigate those risks.

MTICS Technology and Innovation Branch – BCIC Staff:

- Meet frequently to:
  - Discuss and respond to BCIC's operational requirements with regards to program development, Crown governance, and interactions with central government agencies (e.g. Treasury Board Staff, Cabinet Operations).

REVIEW AND REVISION:

The deputy minister responsible is accountable for reviewing and revising this plan from time-to-time, in consultation with the BCIC President & CEO.